

Message Text

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SUBJECT: DISCUSSION OF ECONOMIC AND FINANCIAL ISSUES WITH
FINANCE MINISTER ABA AL-KHAIL DURING HIS VISIT
MAY 3 AND 4

REF: (A) JIDDA 1612 (STADIS)
(B) STATE 43137 (STADIS)

1. SECRETARY BLUMENTHAL AND UNDER SECRETARY COOPER
TENTATIVELY SCHEDULED TO MEET WITH MINISTER ABA AL-KHAIL
MORNING OF MAY 4, TO DISCUSS FINANCIAL AND ECONOMIC
ISSUES OF INTEREST TO BOTH COUNTRIES. AS AGREED WITH
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DEPUTY MINISTER OF FINANCE AL-TURKI DURING HIS VISIT TO
THE U.S. THESE DISCUSSIONS WILL NOT BE HELD WITHIN THE
FORMAL FRAMEWORK OF THE JOINT COMMISSION.

2. ALTHOUGH DISCUSSIONS WILL BE SEPARATE FROM JOINT
COMMISSION MEETING, WE ANTICIPATE INCLUDING REFERENCE TO
THEM IN JOINT COMMUNIQUE TO BE ISSUED MAY 4.

3. GIVEN BELOW IS ANNOTATED LIST OF TOPICS WHICH
TREASURY OFFICIALS BOWDEN AND POUNDS MAY WISH TO PRESENT

TO AL-TURKI OR ABA AL-KHAIL IN ORDER TO HAVE SAUDI
DELEGATION AS FULLY PREPARED AS POSSIBLE FOR
MEANINGFUL DISCUSSIONS OF THESE ISSUES. FINANCE
MINISTER ABA AL-KHAIL MAY ALSO HAVE TOPICS TO BE
COVERED DURING DISCUSSIONS WITH U.S. OFFICIALS.

4. PROPOSED TOPICS FOR FINANCIAL DISCUSSIONS BETWEEN
SECRETARY BLUMENTHAL AND FINANCE MINISTER ABA AL-KHAIL
MAY 4, 1977:

A. WORLD ECONOMIC SITUATION AND PROSPECTS - PROGRESS
BEING MADE IN THE RECOVERY FROM THE WORLD RECESSION;
CURRENT PROBLEMS OF INFLATION AND WORLD-WIDE INVESTMENT
REQUIREMENTS; AND THE NEED FOR ADJUSTMENTS TO BRING
ABOUT SATISFACTORY GROWTH PATTERNS.

B. WORLD PAYMENTS SITUATION AND FINANCING PATTERNS -
GLOBAL PAYMENTS ARRANGEMENTS; THE ROLES OF PRIVATE
AND OFFICIAL SOURCES OF FINANCING; AND THE WAYS
SURPLUS AND DEFICIT COUNTRIES CAN WORK TOGETHER TOWARDS
A HEALTHIER AND MORE SUSTAINABLE PATTERN OF BALANCE OF
PAYMENTS POSITIONS; AND SPECIFIC PROBLEM AREAS MERITING
IMMEDIATE ATTENTION.

C. DEVELOPMENT ASSISTANCE - THE NEED FOR ADEQUATE
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DEVELOPMENT ASSISTANCE AND FOR COORDINATED, EFFICIENT,
AND PRODUCTIVE USE OF DEVELOPMENT FUNDS FROM BILATERAL
AND MULTILATERAL SOURCES.

D. INTERNATIONAL INVESTMENT - COOPERATIVE APPROACHES
TOWARDS ASSURING FAVORABLE WORLD-WIDE CLIMATE FOR
OPEC AND OTHER INTERNATIONAL INVESTMENTS.

E. BILATERAL TRADE/FINANCE ISSUES - (1) SURETY BONDS:
THE STATUS OF SURETY BONDS AND THE DEVELOPMENT OF A
LIST OF SURETY COMPANIES APPROVED BY THE MINISTRY OF
FINANCE AND NATIONAL ECONOMY. (2) LETTERS OF CREDIT:
THE STATUS OF THE REVISED LETTER OF CREDIT FORMS WHICH
WOULD REPLACE FOR U.S. BANKS THE BANK GUARANTEES
FORMERLY WRITTEN BY SAUDI BANKS AND BACKED UP BY LETTERS
OF CREDIT ON U.S. BANKS. (3) INFLATED CONTRACT BIDS:
THE PROBLEM OF INFLATED CONSTRUCTION AND OTHER BIDS;
OFFER U.S. ASSISTANCE IN DEVELOPING COST-PLUS-FIXED
FEE CONTRACTING PROCEDURES.

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